

The Alcatel logo, featuring the word "ALCATEL" in white capital letters on a black rectangular background.

December 23, 2002

VIA: Certified Mail

Mr. William Foley  
184 Lamberts Drive  
Cohasset, MA 02025

**RE: *Claim for Severance Benefits***

Dear Mr. Foley:

This letter is in response to your letter of August 26, 2002. We are treating your letter as an appeal of the denial of your request for increased severance benefits under the Alcatel USA, Inc. Severance Benefits Plan (the "Plan"). I am responding to such appeal on behalf of the Alcatel USA, Inc. Administration Committee (the "Committee"), which is the Appeals Committee under Section 2.1 of the Plan with the authority to review appeals pursuant to Section 5.4 of the Plan.

As discussed more fully below, the Committee hereby denies your appeal for the denial of your claim for increased severance benefits under the Plan.

#### DISCUSSION

In your appeal, you alleged that you are entitled to severance benefits under the Plan as a "Director" equal to 26 weeks of regular base pay. This allegation is based on the argument that because your job title of "Sales Director" includes the term "Director," and the Plan does not distinguish between different types of Directors, that you are entitled to benefits under Section 4.2 of the Plan based on the job category titled "Minimum Severance Payment for Director, Senior Director or Assistant Vice President."

The Plan design is based on the Alcatel USA, Inc. ("AUSA") Job Level System which is AUSA's internal job classification system that is used for compensation and benefit purposes. See the attached document, which helps explain the differences between the different levels of sales positions as well as non-sales, management level positions. Under the Job Level System, the fact that your job title included the term "Director" is not determinative of your status as a Director; rather, that determination is made based on the compensation and job responsibilities for that position as set forth by the Job Level System.

A Sales Director is a sales position with minimal managerial authority and responsibilities. These job characteristics, coupled with the level of compensation for the position of Sales Director, place it at the level of an exempt individual contributor as opposed to a management position. This placement is reflected in the enclosed copy of the Job Level System. Further, while your title contained the term "Director," this fact does not serve to convert an otherwise non-management job into a management position. Indeed, as is evidenced by the enclosed Job Level System, AUSA uses this term in the title of other non-management positions for business reasons and customer contacts. Whether a job that contains the term "Director" is that of an individual contributor rather than a manager is identified in the Job Level System by the placement of that term. Specifically, under the Job Level System, placement of the term "Director" or "Manager" or "VP" at the beginning of a job title is classified as management. The inclusion of these same terms at the end of a job title is used to classify individual contributors. Thus, the fact that your position uses the term "Director" at the end of your title of Sales Director, coupled with the non-management nature of your activities and level of compensation, justifies the treatment of your job as a non-director position under the Plan. Indeed, the AUSA Job Level System is routinely used for

purposes of classifying positions under the Plan and employees with job positions and titles similar to you have been treated the same way (i.e. given benefits based on the status of a non-director position).

Accordingly, pursuant to Section 4.2 of the Plan, you are entitled to benefits under the category titled "Minimum Severance Payment for Non-Director/Vice President" which entitles you to 1.5 weeks of regular base pay as a Severance Payment; provided, that you execute a Confidential Severance Agreement and General Release (the "Agreement") as provided in Section 4.4 of the Plan.

In your letter you also alleged that the decision on who receives the Minimum Severance Payment for Director is discriminatory in that Fred Parenteau (Director of N.E. Sales) and Dan Micelli (Director of Major Accounts) received Severance Payment of 26 weeks due to their Director status. We have investigated these situations, and find nothing to suggest that you should be paid as a Director rather than as an Individual Contributor.

For the reasons set forth above, the Committee finds there is no basis for your claims for a Severance Payment of 26 weeks under the Plan based on your alleged employment as a Director, and, therefore, denies your appeal. In the event that you are not satisfied with the Committee's decision, you have the right to bring a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974 as amended. You are also entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to his claim for severance benefits under the Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Brenda Mills". The signature is fluid and cursive, with the first name "Brenda" and last name "Mills" clearly distinguishable.

Brenda Mills

On behalf of the Alcatel USA, Inc. Administration Committee

**ALCATEL USA**  
**SALES LEVEL CHART**

Factors	Account Manager	Account Director	Sr. Account Director	Director Sales	AVP
<b>Average Quota</b>	min \$4M	min \$8M	min \$10M	min \$36M	min \$75M
<b>Type of account</b>	typically small to mid-size accounts or member or large account	typically mid-size to large or cross-section of accounts	typically large or very complex accounts	N/A	N/A
<b># of Direct Reports</b>	N/A	N/A	N/A	min 4	min 10
<b>Independent Judgement</b>	Works under direct supervision. Work is reviewed for soundness of judgement and overall adequacy and accuracy.	Work is performed under general direction. Participates in determining objectives of assignment.	Work is performed without appreciable direction. Exercises considerable latitude in determining objectives and approaches to assignment.	Accomplishes results by setting specific goals, coaching and monitoring performance of account members. Subject to approval modifies procedures, policies and the organizational structure.	Accomplishes results by setting specific goals, coaching and monitoring performance of account members. Subject to approval modifies procedures, policies and the organizational structure.
<b>Knowledge</b>	Demonstrates in-depth knowledge of territory-specific Alcatel products. Applies basic knowledge of the Alcatel organization.	Demonstrates in-depth knowledge of territory-specific Alcatel products and general knowledge of whole Alcatel product and service range. Applies good knowledge of the Alcatel organization and cross-functional relationships/contacts.	Demonstrates in-depth knowledge of whole Alcatel product and service range. Applies broad knowledge of the Alcatel organization and cross-functional relationships/contacts.	Demonstrates in-depth knowledge of whole Alcatel product and service range. Applies broad knowledge of the Alcatel organization and cross-functional relationships/contacts.	Demonstrates in-depth knowledge of whole Alcatel product and service range. Applies broad knowledge of the Alcatel organization and cross-functional relationships/contacts.
<b>Customer Relations</b>	Identifies and develops solid customer relations at the appropriate level of the engineering and purchasing organization.	Identifies and develops solid customer relations up to the executive level of the engineering and purchasing organization.	Identifies and develops solid customer relations at the executive level of the engineering and purchasing organization.	Strengthens and promotes customer relationships at the executive management level.	Strengthens and promotes customer relationships at the executive management level.
<b>Internal Liaison</b>	Contacts are primarily with manager/director and other account members. Must work well with other organizations that provide support.	Contacts are with manager/director and other account members. Demonstrates ability to negotiate with other functional organizations.	Contacts are with manager/director, other account members and cross divisional functions. Applies ability to negotiate to influence other organizations' functions.	Regularly interact with Director, VP and/or executive levels on issues concerning functional areas and divisions. Requires the ability to gain acceptance of others in sensitive or critical situations.	Regularly interacts with executives. Interactions normally involve controversial situations or influencing and persuading other senior level managers.
<b>Market Levels</b>	S4	S6	S8	S12	S14
<b>Typical Education/ Experience</b>	Bachelor's degree or equivalent and 1-3 of years	Bachelor's degree or equivalent and 3-5 years of experience	Bachelor's degree or equivalent and 5-7 years of experience	Bachelor's degree or equivalent and more than 7 years of experience	Bachelor's degree or equivalent and experience in a directors position for at least 1 year